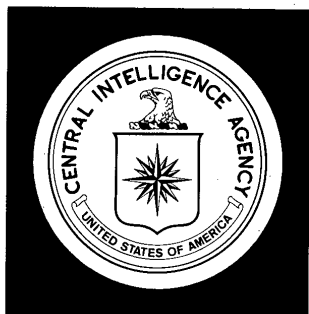




The President's Daily Brief

20 February 1973

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THE PRESIDENT'S DAILY BRIEF

20 February 1973

PRINCIPAL DEVELOPMENTS

On *Page 1*, we report on international monetary developments.

The Chinese are trying to buy combat aircraft from the UK. (*Page 2*)

In South Vietnam, heavy fighting rages along the coast and in the western highlands. (*Page 3*)

The Laotian sides are still negotiating toward a cease-fire and a political agreement, while fighting continues throughout the country. (*Page 4*)

The Soviet Communist Party will begin its examination of each member's conduct on 1 March. (*Page 5*)

We expect Canada to make permanent the restrictions it has recently placed on export of crude oil to the US. (*Page 6*)

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INTERNATIONAL MONETARY DEVELOPMENTS

In Tokyo today, the dollar closed slightly down. The yen appears to have stabilized, at least temporarily, at a revaluation of about 16 percent relative to the dollar. Pressures for a further appreciation may build soon, however, as large export contracts that were delayed earlier in the month begin to come due.

In early European trading, the dollar is substantially above its parity with all non-floating currencies except the Swedish kroner. The West German Bundesbank yesterday sold as much as 30 million dollars to prevent the mark from breaking through its floor.

This is an insignificant amount relative to the six billion dollars the bank bought during the crisis, but it was the first official German dollar sale since last summer and the first to maintain the mark floor since 1969. The weakening of the German currency probably reflects some unwinding of speculator positions in a thin market.

The Swiss cabinet decided to intervene in the market in support of the dollar, and has promised to end the float of its franc soon. The price of gold is still climbing.

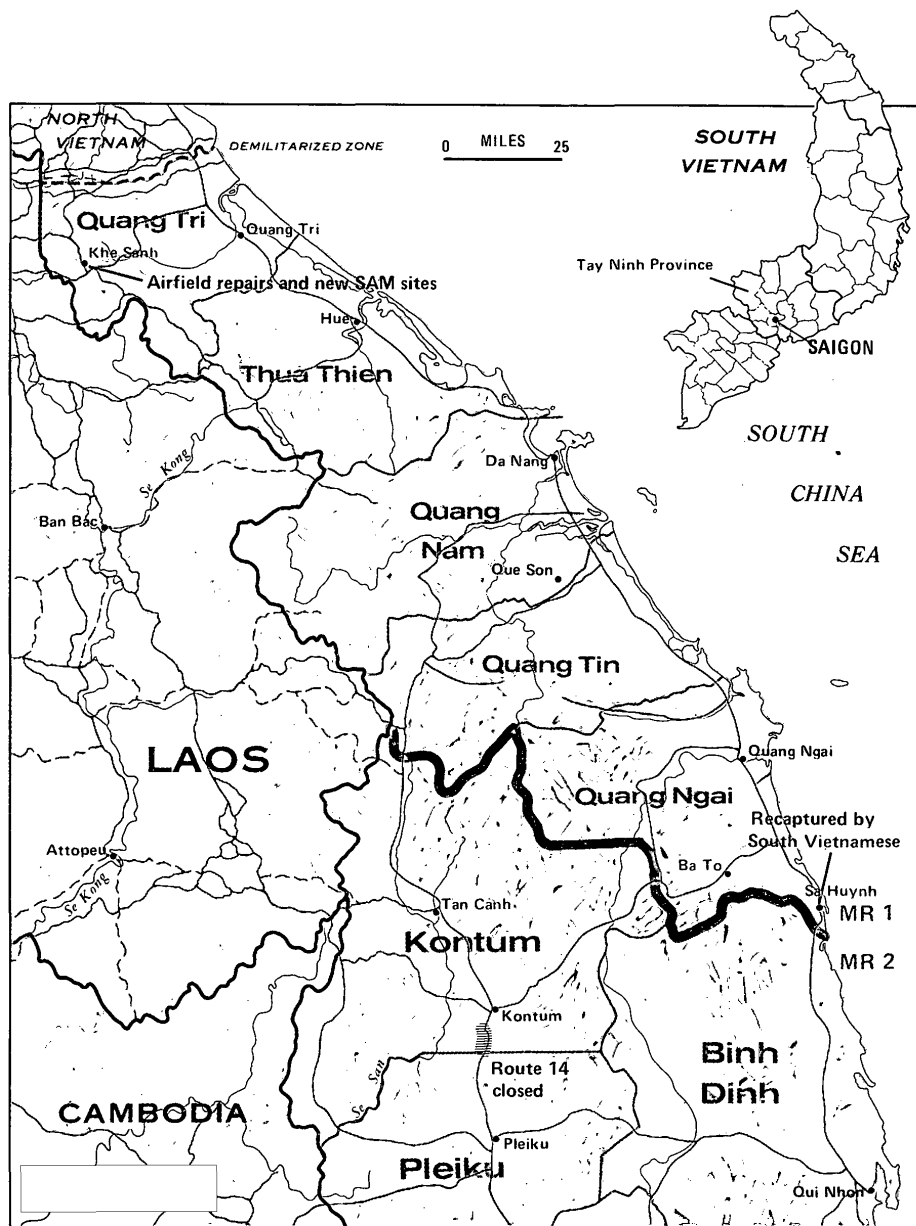
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CHINA

The British Foreign Office has confirmed that the Chinese have approached the Hawker-Siddeley Aircraft Company about purchasing Harrier ground attack fighter aircraft. AP and UPI have reported that the Chinese are seeking 150 to 200 Harriers at a cost of \$2.4 million each. The Harrier was demonstrated for the Chinese minister of foreign trade in the UK last month.

This is the first known Chinese attempt to buy combat aircraft from the West. China's large aircraft industry produced about 900 planes in 1971, but has been in the doldrums for over a year. The Chinese may be dissatisfied with the old-model Soviet aircraft (MIG-17s and MIG-19s) they have been producing.

The Harrier is the only operational fixed-wing vertical-takeoff fighter in the free world. This jet-powered plane's unique capability to change the direction of its engine thrust enables it to outmaneuver other fighters at low altitudes. It is used in the British air force and by the US Marine Corps.



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SOUTH VIETNAM

Aerial photography shows two operational SA-2 surface-to-air missile sites near the Khe Sanh airfield in the Communist-occupied portion of Quang Tri Province. Presumably, the missiles are there to guard the Khe Sanh airfield, where repairs are nearly complete.

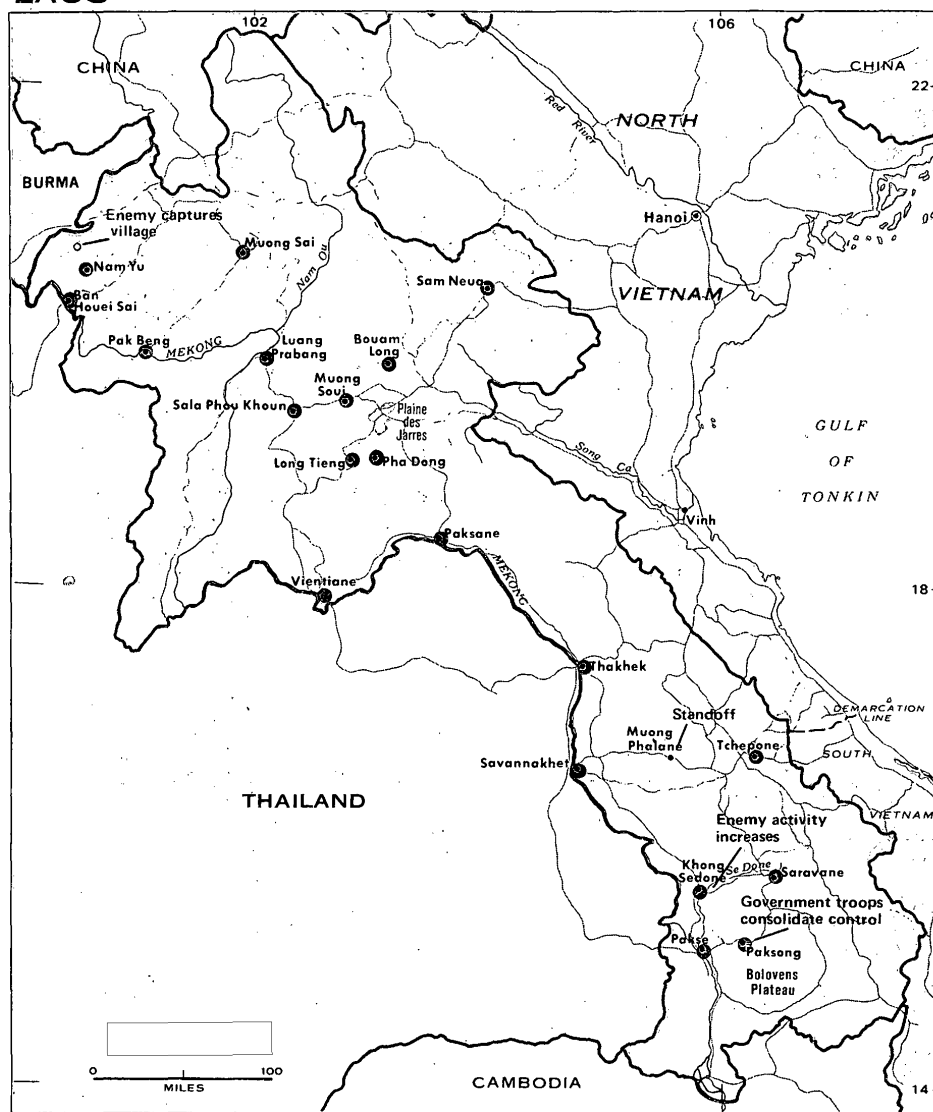
Five SA-2 sites were located in northern Quang Tri Province from April through June last year, but all units from these sites were withdrawn to North Vietnam because of the heavy allied air strikes late last summer. It is conceivable that these units left at least some of their equipment behind, stored in the rugged hills around Khe Sanh.

Farther south in Military Region 1, the heaviest fighting in Vietnam rages along the coastal strip near Sa Huynh. In the western highlands, the road between Kontum and Pleiku is still contested. In Tay Ninh Province, COSVN has told its forces that their offensive is over and that it is now time to turn to the "political struggle."

* * *

The commander of the provinces around Saigon, General Nguyen Van Minh, told an American official yesterday that he does not consider the Joint Military Commission (JMC) appeal to stop the fighting applicable to his command. Minh made the point that his troops have been fighting a "defensive war" and would continue to do so until the Communists honored the cease-fire agreement. Minh said he has limited his air and artillery strikes and taken a "let it be" attitude toward main enemy formations that remain quiescent. He added, however, he would not hesitate to stop the movement of Communist forces toward populated areas, regardless of the presence of JMC or other control and supervisory teams. Not surprisingly, initial Communist reaction to the JMC appeal has been to hold the US and Saigon entirely responsible for violating the agreement.

LAOS



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● Government controlled

● Communist controlled

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LAOS

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Lao Communist leader Souphanouvong proposed a provisional cease-fire to be effective upon notification of Souvanna's acceptance of certain conditions. These conditions are: conclusion within 30 days of a formal political settlement (including a timetable for the withdrawal of "foreign" troops), an immediate end to bombing by "Lao and foreign aircraft," and an immediate in-place cease-fire by all "Lao and foreign" ground forces.

On the same day, Souvanna indicated in a press interview his unwillingness to accept such an intermediate arrangement or anything less than a formal agreement providing for the withdrawal of North Vietnamese and other foreign troops.

Souvanna's greatest difficulty with the new Communist proposal presumably is its requirement for a political settlement within 30 days of a provisional cease-fire. The prime minister is reluctant to make such a commitment until agreement can be reached on the basic political questions still at issue.

* * *

A military standoff has developed at Muong Phalane in the central panhandle. Air strikes have pinned down most North Vietnamese infantry units east of Muong Phalane, but Communist gunners and infantry have kept elements of an irregular force from entering the town.

Irregular troops on the central Bolovens Plateau are still in control of Paksong despite increased enemy pressure. A pocket of enemy troops is holding out in the southern outskirts of the town, and to the north, the irregulars have been driven off the high ground overlooking Paksong. Bad weather has prevented air support. Just north of the plateau, the enemy is increasingly harassing Khong Sedone and its forward defenders farther east in the Sedone Valley.

In the remote northwest, an enemy attack on 17 February forced irregulars to abandon the northernmost outpost in the 30-mile-long defensive line running north from Ban Houei Sai, the only important population center in the area. An irregular battalion was airlifted to Ban Houei Sai on 19 February in an effort to bolster government morale, already lagging after the loss of the irregular base at Nam Yu early this month.

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USSR

Nine months after deciding to proceed with an exchange of party cards, on Sunday executives of the central committee announced they were ready to begin the process on 1 March.

A member who makes a satisfactory accounting of his conduct will be granted new party credentials. It is nearly 20 years since the last such exchange of party cards, and it will take two years to examine the credentials of each of the party's 14,500,000 members.

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During the months since last May, there have been intimations in the Soviet press that there has been controversy about the extent of the examination of each member. Some provincial leaders had suggested in print, for example, that the exchange should occasion a broad review of each member's activities, his deviations from policy, and his ideological commitments, rather than simply the weeding out of the corrupt, the scandalous, and the lackadaisical. Pravda, on the other hand, had published editorials suggesting that the exchange go no further than necessary to tighten party discipline. Such remarks seemed to reflect an underlying fear that personal vendettas might creep into the process.

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NOTE

Canada: Ottawa's decision to impose crude oil export controls effective 1 March probably will not significantly affect US oil supplies. Canadian officials expect that exports in March will be "only marginally less" than the US has requested. Although Canada provided about 35 percent of US crude oil imports in 1972, this was less than 7 percent of total US demand. The allocation of crude oil exports on a monthly permit basis is clearly an interim step, and we expect that permanent measures will be forthcoming when the National Energy Board holds hearings in March or April. A recent study by the board expressed concern that by 1980 Canadian oil production would not be adequate to meet the domestic demand and provide exports to the United States.

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